

Principles and Practice of NRA

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THE purposes of the NRA were never better expressed than by President Roosevelt when he sent his message to Congress recommending legislation for a "National Industrial Recovery Act" on May 17, 1933. On that occasion he requested that Congress provide the necessary machinery for a coöperative movement throughout all industry "to obtain wide reëmployment, to shorten the work week, to pay a decent wage for the shorter week, and to prevent unfair competition and disastrous overproduction."

Under the legislation submitted and passed, the President received wide authority for two years to encourage and require organization within private industry to control production, eliminate unfair practices, relieve unemployment, and improve standards of labor.

It should be borne in mind that the inauguration of this emergency legislation was preceded by a financial and economic crisis which greatly undermined confidence in accepted economic doctrine. The traditional notion that business competitors acting in accordance with so-called economic laws would quickly restore the economic system when temporarily thrown out of balance had been exploded.

The use of various regulatory bodies to control certain aspects of commerce, industry and finance made it easy to conceive of new forms of regulation operating in a larger way. Wage workers, industrialists and farmers were learning that the individual's situation could be improved by joint action. Technological unemployment, excess productive capacity, underconsumption due to lack of purchasing power, suggested the need for planning throughout the economic system.

Predatory competitive practices had brought business men to a point where they called upon Government to act

as a savior. The old slogan of less government in business and more business in government was discarded in favor of a demand that government establish new rules of the game.

Section 3 of Title I, outlining the procedure for establishing codes of fair competition, is one of the most important in the Recovery Act. Trade and industrial associations were invited to take the initiative in formulating codes. The President approved the codes only when he was satisfied that the applicants were truly representative of the trade or industry for which they spoke, when the codes imposed no inequitable restrictions on membership, and provided they were not designed to promote monopolies or to eliminate or oppress small enterprises. As a condition of granting his approval the President often imposed such requirements as seemed to him necessary to protect competitors, consumers, employes and others as well as to effectuate the policies stated in the Act.

To the Compliance Division of the NRA was delegated the task of supervising the enforcement of the codes. This department has an Administrative Branch, a Labor Branch and a Trade Practice Branch. In accord with the theory of "self-government in industry" each industry has a Code Authority which carries on the routine administration of the code.

It includes members of the industry, generally representatives of a trade association and one or more representatives of the government who have no direct voting power. In some industries Regional Code Authorities and local adjustment agencies have been established.

The code authorities in the vast majority of cases, be it noted, are made up of employer representatives. About two dozen of the 495 codes provide for labor representatives on the code authorities but even in that case the question remains as to how effective they can be in protecting labor and consumer interests. Consumers as well as workers are demanding effective representation. It is significant that on the eve of the threatened textile strike the President appointed Mr. Thomas McMahon, chief of the Textile Union, to the Code Authority of the Textile industry.

This is a crucial point in the NRA program. With rugged individualism definitely abandoned in the crisis, it would appear that the only alternative to communism or

socialism is the extensive promotion of occupational groups wherein the workers have a large measure of participation in the control of industry. "If the code organizations would permit labor," declares Msgr. John A. Ryan, "to assist in making the code and help in its authority, then the codes would approximate what Pope Pius XI had in mind when he spoke of occupational groups."

This, in principle, is the outstanding shortcoming of the NRA as at present constituted and administered. Up to the present, it has very largely been a matter of Government intervention to induce industry itself to provide the basic elements of a planned economy. Administered as it has been on the plane of voluntary coöperation, the NRA represents a constitution of limited self-government by trade groups, subject to Government supervision. Except in connection with public utilities, the Government had not attempted to apply to business a comparable degree of supervision and control.

At most, this could be called a quasi-partnership of Government and industry. Dr. Ryan, in his analysis, clearly indicates the need for a third partner in the process, namely labor, urging that the workers in each occupational group should have a share in the ownership, management and profits of the corporation operating within a definite industrial sphere. This is the Solidarism advocated by Father Henry Pesch in his *National Oeconomie* over forty years ago.

The second defect of the NRA in principle concerns the interpretation and application of Section 7, which was meant to guarantee the right of collective bargaining. This section required that every code, agreement or license should include a provision granting employes the right to bargain collectively through representatives of their own choosing. They must not be subject to interference or coercion in their attempts to organize and select representatives. They must not be required, as a condition of obtaining employment, to join any company union or refrain from joining or assisting any organization of their own choosing.

Organized labor, represented by the leading officials of the A. F. of L., held that Section 7 of the Act meant the complete jacking of company unions and the unionization of all industry. The big non-union employers, led by the motor car manufacturers and marshaled by the United States

Chamber of Commerce contended that it meant nothing of the sort.

President Roosevelt, at the time of the settlement of the automobile strike, decided that labor organizations should be represented according to their strength in making agreements. This principle of proportional representation in the adjudication of labor difficulties opened the door wide to the company unions, besides affording the industrialists the opportunity to apply their old rule of "Divide and Conquer."

The most recent development in this sphere, however, would imply that the standard unions have begun to establish their case for "majority rule." This is contained in a decision made on August 23, 1934, by the National Labor Relations Board. The board ruled that the United Textile Workers, a union affiliated with the American Federation of Labor, "has been duly selected to represent the company's workers for purposes of collective bargaining for any and all departments" of the Tubize-Chatillon Rayon Company at Hopewell, Va.

The textile workers ten days previous won an election, 1,076 to 531, from the Tri-City Progressive Association, which the standard union claims was fostered by the company. The decision is interesting as indicative of the current trend in interpreting Section 7 in some of its knottier implications.

Fundamentally, the question will not be settled until there is a different organization of labor in the United States. It is extremely doubtful whether the craft organizational set-up of the A. F. of L. can cope successfully with the problem of extending their affiliation to such industries as steel, automobiles, textiles, oil and rubber.

The A. F. of L. continues to insist that it is merely a Federation, in spite of the fact that General Hugh S. Johnson in an address before the last convention advocated "a vertical organization of labor in each industry on a national scale" corresponding to the organization of employers under the NRA codes.

Many friends of organized labor are frank enough to state that if labor does not form industrial unions it cannot compete with company unions.

On the other hand, there is considerable truth in the statement of General Johnson that if laborers are given a fair

chance to express themselves they will in "ninety-nine cases out of one hundred" not elect the company union. Speaking of the refusal of Mr. Walter J. Kohler to allow his workers to organize because of "outside agitators," Msgr. Ryan maintained that the entrance of outsiders into labor disputes was a normal process and that the "slaves would have been satisfied were it not for agitators."

According to William Green, seventy-five per cent of the strikes which have occurred since the codes were adopted have been the result of company unions and the refusal of employers to deal with outside organizers.

We know that the Papal Encyclicals do not mention company unions specifically. But they do insist that the workers' unions must be free and unhampered and that they must give adequate protection to the workers. Pope Pius states that the object of unionization is to help the worker to better his condition to the utmost. He insists that unions must be organized in such wise that they supply the worker with the best and most suitable means for attaining this object.

Whatever may be the merits or demerits of the NRA in theory, there can be no doubt that it has been subjected to severe criticism for numerous defects in practice. First and foremost has been the difficulty of securing adequate enforcement. Evasions have a way of multiplying faster than legislation. Many big industrialists escaped prosecution, while an attempt was made to enforce the law on beauty parlors and Chinese laundries.

The practice of reducing the majority of employees to the absolute minimum is so common as to require no further comment. Chain stores have been the chief offenders in this respect. There have even been many cases where the worker was required to turn back a certain portion of his pay envelope in order to hold his job.

In the second place, the consumer has not been protected against unduly high prices; the Consumers' Advisory Board has not been given power; no adequate standards have been set up. In many cases, the cost of living has advanced out of proportion to increase in wages and salaries. In other words, nominal wages are higher (and are spread more diffusely) without any increment of real wages. Prices have an irresistible impulse to mount faster and further than purchasing power.

To be sure, General Johnson claims that three million men have been put to work under the NRA with a consequent enhancement of purchasing power of three billion dollars, but he does not try to tell us how much of this is offset by the increased cost of living. Furniture, clothing, canned food products, meats, refrigerated and fresh, to say nothing of rents, taxes and public utility rates, have added to the burden on the wage-earners' income. According to the United States Department of Labor, per capita weekly wage earnings in industries has increased 8.5 per cent, while the cost of living during the same period has increased 9.6 per cent. The purchasing power of the farmer's dollar has decreased from the index 71 to 66 in the period from July, 1933, to July, 1934. These figures indicate that the consumers, especially those of the wage-earning group, have not received adequate protection under the NRA.

Closely connected with the costs and income is the whole problem of price-fixing inaugurated by the NRA. It is significant that Professor Raymond Moley, Presidential Adviser No. 1, has been firing away at the NRA's price structure for months and has even declared that it is "galling" to all liberals.

Before President Roosevelt went on his vacation to the Pacific he took one big step toward reorganization of the NRA precisely with reference to this difficulty. The reorganization applied to several of the so-called service industries—those selling services, primarily, rather than goods. These industries by the new order were exempted from the fair trade practice regulations of their codes—price-fixing, production-control and the like.

The industries affected by this change were seven: automobile storage and parking, bowling and billiards, barbershops, shoe repairing, advertising display installation, advertising distribution, and cleaning and dyeing—a sore spot from the beginning as far as price regulation was concerned. More recently, regulations eased for hotels, restaurants, small shops, etc. In some localities a wave of price cutting promptly swept through exempted industries, but in others, members made speedy efforts to form and get under the local codes permitted by the President's order.

Whether wage and wage-hour provision can be maintained in the face of the suspension of fair-practice regula-

tions is a question of the future. The recent assertions of General Johnson that he favors a competitive economy as opposed to a controlled economy would indicate that the NRA is preparing to say to industry: "Very well. You want to govern yourself. Go ahead. We will step aside. We will watch you while you are doing it and keep an eye on you later."

In short, the trades and business will be given an opportunity to police themselves. If this is the case, it would appear that the critics who are alarmed by the spectre of excessive "regimentation of business by the government" are exercised over an imaginary grievance.

The danger of monopoly control is much more real. There seems to be little doubt but that NRA officials have been guided in code-making, notably in the aluminum and electrical manufacturing codes, by the influence of dominant interests to the detriment of small independents. Clauses forbidding sales under cost have been used to stifle competition, largely by the big fellows in each industry.

In the course of a thoroughly representative survey, undertaken by the *Literary Digest*, a leading hardware merchant of Palo Alto declares: "The NRA has raised havoc with the independent merchant. I've been pinched by the NRA from above and below. I can no longer get the confidential discounts (two per cent) from jobbers which used to come with large orders. We know that the big dealers are getting them. Many of us have had to turn to 'chiselers' to keep alive. I don't like to do business this way. I'm ready to give up after thirty-one years."

Perhaps these are some of the reasons that moved Msgr. John A. Ryan to put on record his scathing criticism of the operation (not the principle) of the NRA.

To sum up, let me repeat that the fundamental principles of the NRA, those dealing with the elimination of child labor, the establishment of minimum wages (although thirty not fourteen or fifteen dollars a week should be the lowest allowed in any code), and maximum hours of labor, are those with which no right-minded person can disagree. The right of collective bargaining, now theoretically proclaimed, should be clarified and fortified in actual practice.

For this reform, labor shares the responsibility as well as Government and industry. The horizontal organization

of craft unionism is obsolete. Economic planning under the supervision of the State and regulated competition, as Father Parsons, the editor of *America*, has pointed out, far from being a threat to the institution of private property, are required for its perpetuation in a form which will insure an equitable distribution of goods and income to all classes. The profit motive needs not abolition but restriction and control.

To this end, the machinery of the NRA should be modified to provide:

(1) Adequate representation of the workers in each industry as well as of the consuming public, not merely in an advisory capacity as advocated by General Johnson, but with equal voting power and responsibility with the managers of industry.

(2) Official encouragement to the workers to organize themselves into occupational groups in each of the major industries, with the privilege of sub-dividing into craft unions where this is necessary or expedient. This would imply full recognition of the right of collective bargaining.

(3) A political set-up that would fit the facts of the changed social and economic order. Representation would be on the basis not merely of geographical location or sectional interest but also on the principle of the organic function played by each occupational group in the life of society. It is correct to conclude: "The keynote of the future will be coöperation and corporativism and distributism."

In short, Government in which would participate corporations of the arts, professions, and industries, or the Corporative State (Pius XI's *Quadragesimo Anno*). The Constitution of the United States is sufficiently adaptable to allow of this adjustment to the realities of the productive powers of modern society. The Bill of Rights and the Declaration of Independence are as valid and as necessary today as they were when the Republic was founded.

What is required is not Revolution, but Reform. What is complementary is not necessarily destructive. When we shall have added an economic and financial and social Declaration of Independence to the political charters which have protected individual rights for one hundred and fifty years we shall enjoy not only liberty under the law but a larger participation in those material blessings which the philosopher tells us are required for "the good life."

Thoughts on the New Deal

JOHANNES MATTERN

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FOR those who have not already decided to their own satisfaction that the New Deal is a failure, the most vital question of present-day practical politics and economics is that of the prospects of the New Deal. To discuss this question with any degree of intelligence we must begin with the consideration of the purposes, the objectives, of that momentous experiment.

In brief, the objectives of the New Deal may be defined as: recovery from the latest crisis, reforms of our economic system to guarantee the permanence of recovery, and the establishment of such reforms within the general structure of our existing political and social order.

What could be more reasonable, more generally acceptable, than such a program, provided that it is possible of realization, provided that recovery can be effected under our present social order and that recovery can be made permanent by reforms without fundamental changes in our present political and social structure! Convincing proof that the New Deal so far has not led to a fundamental departure from our traditional democratic political and social system is found in the fact that there is considerable and articulate opposition to the New Deal, an opposition based on the conviction or assumption that the New Deal is impossible of fulfilment for the reason that its aims or objectives are mutually exclusive. But while this opposition agrees in its negative attitude toward the New Deal, or with regard to the chances of its success, it is hopelessly divided on the alternative or substitute measures to be applied to remedy the admittedly existing crisis and to prevent the recurrence of such crises in the future.

There are in the foreground of the opposition those who remind us that we have had numerous and serious crises before and that we have succeeded in bringing back normal conditions after each succeeding crisis of the past. Relying

on the law of probability they can see no reason why we should not succeed again and again in bringing back normal conditions after each future crisis as future depressions may and will come rolling along. They confidently assert today that all that was needed in the spring of 1933 was the proper enforcement of existing legislation and the enactment of such new laws as might have been required to put an end to flagrant tax evasions, fraudulent investments, unauthorized speculation with trust funds and with commercial and savings deposits, unethical competition, and perhaps a few other such practices admittedly crying for the vengeance of heaven. For the rest, this group holds, we should have let nature take its course. Nature, through its own laws, would take care of overproduction, of underconsumption, of faulty distribution, of unemployment, and of all the evils in their trail. In other words, this group holds that the recovery program of the New Deal goes too far off the beaten path, and that its reform program is not essential to recovery, but is an impediment to recovery. The argument of this group deserves a hearing, it requires consideration. The weakness of the argument lies not in its logic but in its premises.

In the first place, existing legislation has proved unenforceable under the prevailing economic system which operates at best within the law, but outside the moral code. There is then no reason for the assumption that the required new legislation would be more capable of enforcement, once normal conditions have been restored, as long as this amorality of the economic order is allowed to prevail.

In the second place, the argument in favor of the law of nature as the medium of restoration of normal conditions can effectively be turned against the advocates of this process. The law of nature is the law under which the beasts of the jungle prey upon each other. To the degree to which we have allowed the law of nature to rule our conduct, to that extent have we allowed the socially strong to prey upon the socially weak, in defiance of the laws designed by man, as a rational being, to counteract the devastating effect of the reign of the law of nature in the relations of human beings in civilized society. Hence it is precisely our undue reliance upon the law of nature which is responsible for the situation in which we find ourselves today.

In the third place, with, and as a result of, every pre-

ceding recovery, our social structure has become more complicated: industry has become more intensified, trade and commerce more interdependent, the relations of employer and labor more strained. Hence the effects of every recurring crisis have become more far-reaching, more acute, more serious, in that more people have become unemployed, the task of caring for them by means of charity or otherwise more difficult, and the chance of bringing back normal conditions less certain, more remote.

This first group, which holds that the reform program of the New Deal in its present character and extent is not essential to recovery, constitutes the great majority of the opposition. A small minority, despairing of the possibility and effectiveness of reforms within the limits of our existing political and social systems, anticipates the need for a complete recasting of our social and political order.

This brings us now to the question of the extent and kind of reforms advocated and approved by the promoters and supporters of the New Deal and in particular to that phase of the question which deals with the possibility of effecting such reforms within the framework of our existing political and social order.

Again we have to take cognizance of two groups among those supporting the New Deal and insisting upon the need for such reforms. One group, apparently the minority, holds that reforms as measures designed to make recovery permanent, should be effected after normal conditions have been established. Mr. Maynard Keynes, the English economist, has addressed an open letter to President Roosevelt offering advice to the effect that for the present the administration's main efforts be directed toward recovery, leaving reform to the period after normal conditions have been restored. This seems sound advice from an academic point of view. The trouble with it is that it fails to consider sufficiently the realities of human nature.

Mr. Keynes' advice is based on the two assumptions: first, that such reforms can be effected after a return of normal conditions, *i. e.*, after recovery; and, second, that recovery can be effected without immediate reforms. Both of these assumptions are challenged and rejected by the promoters of the New Deal and by the majority of its supporters. Those who challenge and reject these assumptions believe that the

time to effect reforms is now when the agencies and forces which will be most affected by such reforms are still pliable and receptive, and not after recovery has once more steadied their nerves and hardened their determination to persist in the methods of the past, in the gambler's irrational pretense that fate may be kinder in the future.

So we come to the consideration of the extent and kind of reforms called for in the opinion of both promoters and supporters of the New Deal. As to their extent and kind, individuals may differ sincerely and intelligently, according to their individual comprehension of the social needs, of the remedies available to meet these needs, and according to their individual capacity for coördinating needs and remedies, or remedies and needs. But certain it is that the great majority of the supporters of the New Deal agree with its promoters in the demand for a deep-reaching regeneration of the spirit and practices of business. Again, individuals may differ honestly and intelligently as to whether or not the special measures designed to effect such deep-reaching regeneration remain within the scope of our present political and social structure. But equally certain it is also that the majority of the supporters of the New Deal proceeds on the assumption that its promoters intend to keep their reform measures within that structure. This implies that the New Deal can effect its reforms only by way of mobilizing for both recovery and reform the forces available in our social and political system. Hence the promoters of the New Deal proceed to guide, regulate and control the relations of business, labor and consumer as the basic units of our social structure. By business, as the term is here used, is meant, according to our prevailing ideology, the employers in factories, financial institutions, and commercial enterprises of all kinds. The administration of the New Deal undertakes to induce business to reach agreements with both labor and consumer for the definition of the terms of their mutual relations. Such relations depend essentially upon prices charged and paid for goods produced and sold, services rendered, and wages paid to those producing goods and rendering services. The parties to these agreements are grouped according to the character of the goods produced or the services rendered. Their agreements, having received the approval and signature of the President, are legally binding upon all concerned.

In theory such a procedure seems fair and reasonable; in practice it works, by force of circumstance, to the advantage of one of the three parties—business. Having the advantage of large-scale organization and the opportunity of using that organization for the purpose of strengthening its position in the New Deal agreements, business has so far been able to outdo both labor and consumer in securing favorable terms of prices, wages and hours of labor. Labor, at best only partly organized, is weakening itself by the struggle over the closed and open shop, and for the recognition of the free union as against company union favored by business. The consumer is not and cannot be organized effectively as a class.

Of course, the promoters of the New Deal realize that they must establish not only in theory but also in practice a basis of equality in the bargaining power of the three forces concerned. To that end the attempt is made to hold business to the acknowledgment of all labor organizations recognized by law as competent bargaining partners, though such attempts have so far lacked enforcement. As to the consumer, the government has established the Consumers' Advisory Board and the Consumers' Counsel, the first in the Industrial and the second in the Agricultural Administration. The Consumers' Advisory Board and the Consumers' Counsel are charged with the task of protecting the consumers' interests. But under our social and political system the degree of protection to be expected for the consumers' interests from the government against other pressure groups depends upon the degree of pressure exerted by the consumers' groups themselves. Hence the promoters of the New Deal in their attempt to act impartially are calling upon existing organized groups conscious of their interests as consumers, to bring to bear the pressure needed. Such organized groups as the consumers' co-operatives, organizations of teachers, of government employees, of engineers, women's clubs, churches, and many others. Even farmers' and labor organizations may at times act in the interests of the consumer.

Thus the old two-fisted fight between business and labor is to become a three-cornered struggle between business, labor and consumer. The conception is one which fits into the American social and political ideology and technique. It is an analogy in the economic arena of the party system

and the lobby in the sphere of politics. According to this conception, prices, wages, hours and condition of labor are to be established in agreements formulated as the result of the free interplay of the dynamic forces of business, labor and consumers' interests. Each will try to secure for its own side as much as possible, and the other will try to concede as little. The government will be the umpire in the game, nothing less and nothing more.

Do reformist measures fitting into such a scheme hold out any hope of success of the kind expected from it by its sponsors? I have pointed out the analogy of the scheme with the party system in the political field. The analogy applies to the motives guiding the contestants and to the methods which will be applied in the struggle. Since methods are dictated by motives, we can confine ourselves to an examination of the motives in question.

The promoters of the New Deal, foremost the President and Mr. Wallace, have shown vision and courage in their insistence that the motives and mechanics of recovery and reform be predicated upon a new attitude in our social outlook. The new attitude, as they conceive it, implies that in future business be conducted on the basis of the practical realization of the mutual dependence of the profit and welfare of the employer and the security and welfare of labor and consumer. It is an attitude which visualizes the transformation of business from an activity regulated by a technical observance of the law to an activity guided by the demands of practical morality.

With the acceptance of such an attitude by all concerned, recovery and reform could certainly go hand in hand today, and measures of reform could with equal certainty remain within the framework of our present social and political order. Without such an attitude the measures of reform contemplated and inaugurated under the New Deal cannot but lead to a period of hopeless struggle between the dynamic forces of employer, labor and consumer, a struggle which will sap and waste the moral and physical strength of the nation, leaving desolation, despair, bitterness and anarchy in its trail. Without such an attitude, the result of this struggle will be the demonstration of the ineffectiveness of all measures of reform within the framework of our existing social and political order and the eventual overthrow of this order by

violence and bloodshed in favor of some form of dictatorship representing the strongest of the forces contending for supremacy.

In the last analysis this result would be proof that what we approvingly refer to as our existing social and political order is only the empty mechanism, the devitalized shadow, of what it was in its formative years. Apparently there is more at stake than both opponents and supporters of the New Deal seem to realize. The demand of the hour transcends the needs of recovery and reform, even that of a new social attitude; it calls for a reëxamination of the concept and a reform of the practices of democracy.

Solving the Unemployment Problem

F. FAY MURPHY, S.J.

A program advanced for discussion at the Manresa Island Convention of the Jesuit Philosophy Professors, August 29, 1934.

Courtesy of the Providence Visitor.

WHAT steps can we take to solve the problem of unemployment justly, effectively and permanently? It seems to me that any just and permanent solution must be based on three principles, that is, two ethical facts and a conclusion from them.

A.—The material things of this earth were intended to enable men to live in decency and security, so that they might develop according to the rational nature they possess.

B.—Since there are always rapacious, greedy, lawless men, civil society was established for the common good of all, and guaranteed security to the individual in his pursuit of reasonable prosperity and happiness.

C.—Since in our present industrial civilization, only through labor in some form or other can men obtain these goods, it is a primary duty of civil society so to regulate production of wealth, that each individual will share in the profits proportionately to his contribution to the production.

Now, as to the proposed solution itself,—it is threefold:

1. A smaller work week at the same wage.

2. Regulation by civil society of the profits of industry, so that the worker and the buying public may share more fairly in the greatly increased profits of industry.

3. Unemployment insurance within industry.

Let us examine each of the three parts of the solution in detail.

1. Where is the difficulty with the three day week, with double the number employed at the present wage level? The enormous profits made by industry, prior to the depression, were easily capable of such employment. Further, what inherent right is there in the industrialist to work shorter hours, enjoy enormous profits and income with greater leisure, which must be denied to the laborer?

I deny there is any inherent right in some few to make all they can, *i.e.*, "laissez faire" profits of 50, 100, 500 or 1,000 per cent at the cost of unemployment, poverty and misery to a great part of their fellow citizens.

Where does the big increase in profits come from? From the marvelous productivity of machinery. The industrialists possess the machinery, the means of production, the organization from which, through technological advances, they have shut the workers out,—or reduced their numbers very radically. Does that give them the right to unlimited profits? They have in justice a right to a reasonable and fair profit. Whence comes their title to excessive profits? By what alchemy does the machine produce profits for invested capital alone? Is the worker sharing proportionately in the profits? Is there, even, a relative decrease in the price of the finished product, to the buying public? Sad experience—answers "No."

The material goods of this earth are for the use and good of the human race. The segregation of these goods, and the gathering of enormously excessive profits is equivalently brigandage—the law of might—the law of the jungle—and civil society is false to the very purpose for which it alone exists—the common good of the whole body of citizens.

2. Regulation of profits by civil society.

No one here, I think, will deny the necessity for such regulation, much less the duty of civil society to regulate, since it exists to ensure conditions under which security, prosperity and happiness are obtainable for all its citizens. The point at issue then would seem to be: "Is it practically

possible?" Let me give you two instances, within the past generation, of civil society regulating the activities of men, in new fields. Take the multiplicity of traffic regulations today as one example. Thirty years ago there were none. Yet without them today, on our city streets or state roads there would be chaos.

As a second instance, take the Personal Income Tax. Here is federal regulation which has the legal right to examine the source of an individual's income and levy a tax proportionate to that income. No one likes it, yet it works fairly and efficiently and is for the most part obeyed because it is adequately sanctioned. Therefore, I am convinced, regulation of profits (*i. e.*, a profits tax) on an ascending scale above,—let's say ten per cent—could be practically handled by the Federal government with no more machinery or interference in private business than is had in administering the income tax.

3. Unemployment insurance within industry.

The reason and justifications for this third proposal are three:

First. Unemployment is a heritage from the Industrial Revolution, and it is made more acute by the constant and further technological development in industry, and hence in justice, industry is bound to aid and help maintain its present day bastard child, *i. e.*, the unemployment it is creating today.

Second. Unemployment insurance, in itself, will help industry as well as the worker. For Unemployment Insurance, compulsory in character, just as there are Workmen's Compensation Laws, will tend to reduce the volume of labor turnover—one of the costliest items in production, just as Compensation Laws have reduced the number of industrial accidents.

Third. Administered in conjunction with Labor Exchanges, it will reduce unemployment, as well as compensate the unemployed.

Therefore, for the worker in periods of unemployment (which periods are bound to recur, even if the suggestions I made for the shorter work week with double the number employed, and an excess profits tax, are adopted) there should be built up in times of prosperity and employment an insurance fund.

Here again, I insist justice demands such a procedure. The unemployment fund can be built up, partly out of a certain accumulated share of the profits in the business,—just as a reserve is set aside for payment of dividends to stockholders over a slack period, and partly from a weekly assessment, collected from the employee's wage. I am convinced, the unemployment reserve fund should be built up by the workers and employers in each industry,—and not financed by the State or Federal Government. Thereby it will be an insurance, not a dole.

The most effective way of handling this problem of unemployment insurance would be by compulsory laws in each individual State, with State supervision of the individual industry, so that where five or more are employed in a plant or industry, or even a store, there should be a check-up by State authorities to see that the provisions of the unemployment insurance act are being obeyed.

Furthermore, the individual employers could insure themselves with an insurance company, paying their monthly or yearly premium, very much after the manner in which the Workmen's Compensation Act is handled in many States, *i. e.*, the insurance company taking the risk, and the individual employers paying their weekly or monthly premiums as such, dependant on the likelihood of unemployment in their particular plants. Or, as in the case in some States, the individual employers could assume the risk and set aside reserves of such a nature as to be able to meet the contingencies of unemployment. Of course, in this case, there would have to be State supervision of the unemployment reserves, in order to protect the employees and to guarantee them the payment of their insurance in times of stress.

Now, there is nothing more radical about this proposal for Unemployment Insurance, than there is about the operation of the Workmen's Compensation Act, which today is effective in all but three of the forty-eight States. When some years back, the Workmen's Compensation Act was proposed, there was great fear expressed that it would put a premium on employers who took no means to protect their workers from accidents.

However, as the insurance companies assessed their premiums to the individual employers, depending on the installation of safe machinery and protection for their employees,

it became evident very quickly that it was to the employer's interest financially, to install safety appliances, and to protect, as far as lay in his power, his employes against the likelihood of accidents.

Finally, in times of unemployment, from this fund, could be paid out to the workers a definite amount each week, proportionate to the wage he had been receiving. Thus even in extreme situations, if the fund were exhausted no one would be unfairly treated, for he would get back at least what he put into it, plus, of course, an equal amount contributed by the employer.

Likewise, some limit of time would have to be established (possibly six months of employment) before the worker could benefit from this unemployment fund. This, in order to protect the man who has been working a year or more, from having his contribution given to an employe who has been working for only a week or so. There would probably be no need for the State to contribute to this fund, for my idea is that the cost of this unemployment insurance fund should be wholly within industry, borne upon a fifty-fifty basis by the workers and employers.

An Index to Current Magazines

Three Main Causes of Nationalism. By John LaFarge, S.J. *Thought*, September, 1934.

Europe Re-Arms. By Denis Gwynn. *Sign*, September, 1934.

Spiritualism Today. By Herbert Thurston, S.J. *Month*, September, 1934.

Saints and Sanctity. By Claude C. H. Williamson, O.S.C. *Homiletic and Pastoral Review*, September, 1934.

Saints for Children. By Right Rev. H. T. Henry. *Homiletic and Pastoral Review*, September, 1934.

Leading Ideas of the Spiritual Exercises of St. Ignatius. By Peter Howard. *Irish Monthly*, September, 1934.

The Training of Jesus Christ. By Most Rev. Alban Goodier, S.J. *Clergy Review*, September, 1934.

Transubstantiation and Modern Physics. By Rev. William R. O'Conor, S.T.L. *Ecclesiastical Review*, September, 1934.

Acquiring the Right Attitude Toward Sex. By Rev. Charles Bruehl. *Homiletic and Pastoral Review*, September, 1934.

Catholic Losses Through Mixed Marriages. By Rev. P. T. Bernarding. *Homiletic and Pastoral Review*, September, 1934.

- The Task of Apologetics Today. By Dom Francis Augustine Walsh. *Ecclesiastical Review*, September, 1934.
- Social Service in Country Districts. By Rev. David Barry, S.T.L. *Irish Ecclesiastical Review*, September, 1934.
- The Orthodox Church and Reunion. By George Bennigsen. *Catholic World*, September, 1934.
- The Abolition of God. By a University Student. • *Catholic World*, September, 1934.
- The Higher Education of Negroes in the United States. By John La-Farge, S.J. *Ecclesiastical Review*, September, 1934.
- Parish School Beginnings in North America. By Most Rev. Philip R. McDevitt. *Ecclesiastical Review*, September, 1934.
- The Font and the Baptistry. By Rev. W. J. Lallou. *Liturgical Arts*, Second Quarter, 1934.
- An Altar Society of Wider Scope. By W. J. A. Schaefer. *Liturgical Arts*, Second Quarter, 1934.
- The Return of the Gothic. By Rev. H. E. G. Rope, M.A. *Clergy Review*, September, 1934.
- Art in Catholic Life. By Gerald Van, O.P. *Month*, September, 1934.
- A Man of Faith and Action. By Joseph Gurn. *Columbia*, October, 1934.
- Henry IV of France. By Hilaire Belloc. *Sign*, September, 1934.
- Was Pascal a Heretic? By Nogel Abercrombie. *Dublin Review*, July, 1934.
- Pascal: The Last Stage in the Light of Recent Research. By Rev. H. F. Stewart. *Dublin Review*, July, 1934.
- Matthew Arnold: Critic. By Terence L. Connolly, S.J. *Thought*, September, 1934.
- Intention in the Modern Novel. By Francis X. Connolly. *Thought*, September, 1934.
- Humor: a Denatured Fallacy. By Francis P. Donnelly, S.J. *Thought*, September, 1934.
- Our Unexpressionists. By Camille McCole. *Catholic World*, September, 1934.
- Cardinal Faulhaber. By Josef Gillermann. *Catholic World*, September, 1934.
- Louis Pasteur. By K. R. Parmenter. *Catholic World*, September, 1934.